

**MINUTES
of the
FOURTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**September 17, 2015
PNM Downtown Headquarters Building
414 Silver Ave. SW
La Ventana Room, First Floor
Albuquerque**

The fourth meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Alonzo Baldonado, chair, on September 17, 2015 at 11:35 a.m. at the PNM Downtown Headquarters Building in Albuquerque.

Present

Rep. Alonzo Baldonado, Chair
Sen. Nancy Rodriguez, Vice Chair
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales
Rep. James Roger Madalena
Sen. Cisco McSorley

Absent

Sen. Lee S. Cotter
Sen. Stuart Ingle

Advisory Members

Rep. Bealquin Bill Gomez
Rep. Jimmie C. Hall
Sen. Richard C. Martinez
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla

Rep. George Dodge, Jr.
Sen. Bill B. O'Neill
Sen. Sander Rue

Staff

Celia A. Ludi, Staff Attorney, Legislative Council Service (LCS)
Erin Bond, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Thursday, September 17

Representative Baldonado welcomed members of the committee, staff and guests to the meeting, and requested that members of the committee introduce themselves.

Public Service Company of New Mexico (PNM) Energy Efficiency Programs

Carlos Lucero, manager, State Government Affairs, PNM, referred to his handout, "Lucero, PNM Energy Efficiency Programs", to describe these PNM programs, which are all paid for by a fee for this purpose that is charged to customers. Mr. Lucero answered a committee member's question about how "low income" is defined for purposes of assistance with energy bills through the Good Neighbor Fund. Mr. Lucero explained that an income that is 200% or less of the federal poverty level is considered low income, and he noted that the majority of funding for that program comes from PNM, although customers have the option of contributing additional amounts. Mr. Lucero clarified that rebates for replacing older, inefficient appliances with new, more efficient appliances are not paid directly through PNM. In answer to a question by a committee member, Mr. Lucero informed the committee that PNM serves eight tribal communities, mostly pueblos, but also includes the Mescalero Apache Tribe.

MFA: 40 Years of Affordable Housing

Leann Kemp, communications manager, New Mexico Mortgage Finance Authority (MFA), narrated a video presentation about the MFA's history.

MFA Strategic Plan, 2015 Accomplishments and 2016 Benchmarks

Gina Hickman, deputy director of finance and administration, and Izzy Hernandez, deputy director of programs, MFA, referred to their handout (Item (1) in the meeting file) to review the MFA's strategic plan. A committee member expressed concern about the scarcity of affordable housing projects in Native American communities and noted that the last affordable housing project in the Pueblo of Jemez was built more than 20 years ago. Mr. Hernandez responded that, recently, he has met twice with the housing representative from the Pueblo of Jemez. A committee member observed that three groups of people were not specifically included in the strategic plan: veterans, people who had lost their homes to foreclosure and people recently released from incarceration. The member asked MFA staff to address those populations.

Approval of Minutes

The minutes of the August 27 meeting were approved without objection.

MFA New Single-Family Program Redesign

Erik Nore, director of homeownership, MFA, referred to his handout (Item (2) in the meeting file) to describe the redesign of the MFA's new single-family program.

In response to questions from committee members, Mr. Nore:

- clarified that the "New House" down payment assistance program is financed by a new federal revenue stream, which can only be received and distributed by agencies like the MFA;
- explained that only 42% of first-time homebuyers use Federal Housing Administration (FHA) mortgages, even though FHA mortgages are easier to obtain than conventional mortgages, because over time, FHA mortgages are more expensive than conventional financing;
- responded that the MFA's "New Home" program takes about 60 days to closing, which is up to two weeks longer than conventional financing, and part of the redesign of the program will reduce the time to closing;
- stated that the interest rates currently range from 3.75% to 4.5% for first mortgages and affirmed that using bonds for financing would result in keeping mortgage interest rates low when the federal interest rate rises;
- said that the program is available to single people as well as families, and there are no requirements for the number of residents in a house; and
- agreed with a comment that the eligible upper limit of value would not be feasible for homebuyers who qualify for the program because their incomes would be too low to afford the payments.

MFA 2016 Budget

Ms. Hickman, referring to her handouts (Item (3) in the meeting file), reviewed the MFA's fiscal year 2015-2016 budget. She explained that assets managed had declined for three reasons: (1) prepayments of mortgages as people refinanced into lower rates because of the historically low interest rates; (2) the MFA is not issuing bonds for single-family amounts; and (3) decreased federal funding.

In answer to questions by the committee, Ms. Hickman said that merit pay for MFA employees has been available as long as she has been employed by the MFA.

Reports on Bonds Issued, Financing Strategies and Market Update

David Jones, vice president, CSG Advisors, told committee members that CSG Advisors only serves housing finance authorities (HFAs), and he gave a presentation on his handout (Item (4) in the meeting file), entitled, "Financing Trends among HFAs: Implications for MFA".

Blake Wade and Ryan Warburton, partners, BallardSpahr, gave a presentation on their roles as MFA bond counsel (Item (4) in the meeting file).

Mike Awadis, senior vice president, First Southwest Company, presented a report, (Item (4) in the meeting file) entitled, "Market Rate Ginnie Mae/Fannie Mae TBA Program".

In response to a committee member's question about how the current housing market is different from the housing market in 2008 just prior to the crash, Mr. Jones opined that the market is much "cooler" in most places now because of better loan underwriting standards. He also stated that the MFA has reduced risks in various ways. Mr. Awadis added that the United States now has the most efficient housing market in the world because of safeguards instituted under the federal Dodd-Frank Wall Street Reform and Consumer Protection Act after the failure of the derivatives market, and he noted that the biggest buyers of mortgage-backed securities are China and the central bank in Japan.

In answer to a committee member's question, Mr. Jones said that homeownership peaked at 67% in the United States in 2007; the current rate is 61%. He observed that there is a shortage of housing now in some markets, and rentals are more expensive.

In response to a committee member's question about ideas for ways to deal with the student loan debt burden that prevents many millennials from purchasing houses, Mr. Wade suggested income-based repayment models.

Update on Foreclosure Prevention Efforts

Senator Padilla reminded the committee that foreclosures are still a problem in New Mexico even though the rates are leveling off. He stated his intention of pursuing legislation in 2017, if he is reelected, that would clarify and unify statutes addressing foreclosure, as well as enacting the New Mexico Home Loan Protection Act.

Public Comment

There were no comments from members of the public.

Adjournment

There being no further business before the committee, the fourth meeting of the Mortgage Finance Authority Act Oversight Committee for the 2015 interim adjourned at 4:29 p.m.

MFA Fortieth Anniversary Open House

From 5:00 p.m. to 7:00 p.m., the MFA Fortieth Anniversary Open House was held at the MFA office, 344 4th Street SW, Albuquerque. Committee members and staff were invited to attend.